



**STATE OF CONNECTICUT**  
**OFFICE OF POLICY AND MANAGEMENT**  
**OFFICE OF THE SECRETARY**

TESTIMONY OF BENJAMIN BARNES  
SECRETARY OF THE OFFICE OF POLICY AND MANAGEMENT  
TO THE APPROPRIATIONS COMMITTEE  
April 5, 2011

Thank you for the opportunity to testify on several bills before your Committee.

Many of the bills being heard today would make changes in Connecticut's budget process and policy. There is no question that we need to change the way our state does business. The Governor's budget proposal does this, and we strongly support efforts to make responsible budgeting a required practice here now and in the future.

We got to where we are today by spending every dollar of surplus, by postponing hard decisions like funding our pensions, and by using whatever trick we could come up with to let us continue to spend more than we receive. Now, we face a budget hole of nearly 20% and are faced with the brutal options of massive cuts and painful revenue increases. At the same time that we are making the best of these bad options, we need to change how we do business in the future. We need to re-establish a rainy day fund that is sufficient to tide us over the next downturn. We need to address the GAAP deficit. We need to work toward adequate pension and OPEB funding. We need to pay off our deficit borrowing, and refrain from doing more. Connecticut is a mighty state, and we need to conduct our public business in a way that reflects our strength.

Governor Malloy has proposed a package of budget reforms which include many of the items on your public hearing agenda this afternoon. That package is found in SB 1000, "An Act Reforming The State Budget Process". Among other things, the Governor's proposal would:

- Increase, from 10% to 15% of budgeted appropriations, the funding target for the Budget Reserve Fund, and depositing 50% of any surplus in the Fund;
- Require that one-time revenues be used to reduce unfunded liabilities for pensions and health care;
- Clarify the Governor's ability to recommend a budget for all of state government, including the Judicial Department and watchdog agencies;
- Expand the Governor's rescission authority from 5% to 10% of any appropriation, from 3 to 5% of any fund and to include municipal aid.
- Require that all collective bargaining agreements or awards for state employees require explicit approval or rejection by the legislature.
- Bring limited- or out-of-scope agencies into Core-CT, the state's financial and human resources system
- Move to GAAP – Generally Accepted Accounting Principles.

I urge you, on behalf of Governor Malloy, to enact the reforms of SB 1000.

**GAAP**

Four bills before you – **SB 68, SB 180, HB 5655, and HB 5811** – would address the need to implement Generally Accepted Accounting Principles, or GAAP. In his first official act, Governor Malloy issued Executive Order #1 which requires me to issue an implementation plan by the middle of this month. We urge you to support that plan and the statutory changes required to implement it.

### **Labor Agreements or Stipulations**

**SB 229** would require a vote by each chamber of the General Assembly on collective bargaining agreements and agreements in connection with lawsuits through the Attorney General's Office. Currently, the agreements are deemed approved if the General Assembly fails to vote within 30 days.

The provision to require a vote is consistent with SB 1000.

### **Municipal Aid**

**We oppose HB 5117**, which would require adoption of the municipal aid portion of the budget by March 1 and in isolation from the rest of the budget. As a former mayor, Governor Malloy understands the frustrations that local officials feel when state budgets are adopted late. But the practical effect of adopting a budget piecemeal would be to limit our ability and our responsibility to negotiate a comprehensive budget package in a timely manner.

**SB 1121** would require a study of the various municipal aid programs, but the Governor's budget has called for a study of the largest grant to municipalities – the Educational Cost Sharing grant – and the Education Committee has expanded that to include other aspects of education aid. That is a difficult and complicated-enough task. We urge you to let that study go forward and discuss non-education funding another year.

### **Budget Reserve Fund**

Three bills – **HB 5650**, **HB 6271**, and **SB 1124** – deal with the Budget Reserve Fund. As mentioned earlier, the Governor has proposed increasing the funding target for the Fund to 15%, and set aside half of any surplus for the Fund. We believe this is a prudent way to go and provides both fiscal responsibility and flexibility.

### **Separation of Powers**

**We oppose HB 6516.**

Section 1 would require OPM, the Comptroller and OFA to prepare a plan for OPM to provide OFA with “an electronic version of all data used to prepare the budget document” and institute “electronic linkage to the automated budget system”. But currently copies of all agency current-services requests and options are provided to OFA and OPM provides OFA with an electronic file once the budget is presented. Beyond that:

- It is not appropriate for the Comptroller to be involved in the planning of information provided by OPM to OFA.
- All information is already being provided.
- OFA has sufficient staff and resources to analyst the budget without additional reporting requirements being imposed on OPM;
- It is an infringement on the independence of the Executive branch to have an automated “linkage” to the system used to develop the Governor's budget.

That said, I am committed to making OPM and OFA more effective by improving our ongoing collaboration and cooperation.

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We believe that Governor Malloy's budget proposal – including the budget-reform proposals in SB 1000 – provide a comprehensive blueprint for putting Connecticut on solid financial footing. I urge you to support those proposals and I look forward to working closely with you to improve the way in which we adopt and implement our budget.

Thank you.